

Richland Township
Saginaw County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2008

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Richland Township
List of Elected and Appointed Officials
March 31, 2008

Township

Joel Wardin – Supervisor

Kevin Kreger – Clerk

Linda Luplow – Treasurer

Brian Frederick – Trustee

Christine Beckrow – Trustee

Other Officers and Officials

Renee Herhold – Township Manager

Independent Auditors' Report

Members of the Township Board
Richland Township
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richland Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richland Township as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2008 on our consideration of the Richland Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richland Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

June 4, 2008
Saginaw, Michigan

Richland Township
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,384,096	\$ 420,737	\$ 1,804,833
Receivables			
Taxes	65,484	-	65,484
Customers	-	82,862	82,862
Due from other units of government	71,403	-	71,403
Internal balances	33,888	(33,888)	-
Restricted assets			
Cash and cash equivalents	11,624	-	11,624
Capital assets not being depreciated	161,698	67,590	229,288
Capital assets being depreciated	1,615,904	1,522,376	3,138,280
Total assets	<u>3,344,097</u>	<u>2,059,677</u>	<u>5,403,774</u>
Liabilities			
Accounts payable	48,961	248	49,209
Accrued and other liabilities	12,179	10,516	22,695
Noncurrent liabilities			
Due within one year	54,868	40,000	94,868
Due in more than one year	533,821	387,118	920,939
Total liabilities	<u>649,829</u>	<u>437,882</u>	<u>1,087,711</u>
Net assets			
Invested in capital assets, net of related debt	1,238,556	1,172,327	2,410,883
Restricted for:			
Deposits held by others	11,624	-	11,624
Nonexpendable cemetery trust	528	-	528
Unrestricted	1,443,560	449,468	1,893,028
Total net assets	<u>\$ 2,694,268</u>	<u>\$ 1,621,795</u>	<u>\$ 4,316,063</u>

See Accompanying Notes to Financial Statements

Richland Township
Statement of Activities
For the Year Ended March 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
	Expenses				Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 392,781	\$ -	\$ 7,336	\$ -	\$ (385,445)	\$ -	\$ (385,445)
Public safety	587,967	33,534	43,008	-	(511,425)	-	(511,425)
Public works	249,324	9,721	-	-	(239,603)	-	(239,603)
Health and welfare	3,600	-	8,760	-	5,160	-	5,160
Community and economic development	6,311	-	-	-	(6,311)	-	(6,311)
Recreation and culture	300,632	48,368	14,771	63,219	(174,274)	-	(174,274)
Interest on long-term debt	26,492	-	-	-	(26,492)	-	(26,492)
Total governmental activities	1,567,107	91,623	73,875	63,219	(1,338,390)	-	(1,338,390)
Business-type activities							
Sewer	191,587	149,107	-	10,038	-	(32,442)	(32,442)
Water	214,392	205,590	-	9,400	-	598	598
Total business-type activities	405,979	354,697	-	19,438	-	(31,844)	(31,844)
Total primary government	<u>\$ 1,973,086</u>	<u>\$ 446,320</u>	<u>\$ 73,875</u>	<u>\$ 82,657</u>	<u>(1,338,390)</u>	<u>(31,844)</u>	<u>(1,370,234)</u>
General revenues							
Property taxes					1,005,062	-	1,005,062
State shared revenue					322,264	-	322,264
Unrestricted investment earnings					47,995	21,746	69,741
Gain on sale of capital assets					-	1,490	1,490
Miscellaneous					70,094	554	70,648
Total general revenues					1,445,415	23,790	1,469,205
Change in net assets					107,025	(8,054)	98,971
Net assets - beginning of year					2,587,243	1,629,849	4,217,092
Net assets - end of year					<u>\$ 2,694,268</u>	<u>\$ 1,621,795</u>	<u>\$ 4,316,063</u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Balance Sheet
March 31, 2008

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Police	Park	Trash Collection		
Assets						
Cash and cash equivalents	\$ 195,279	\$ 408,729	\$ 148,841	\$ 280,162	\$ 320,903	\$ 1,353,914
Receivables						
Taxes	-	-	-	65,484	-	65,484
Due from other units of government	71,403	-	-	-	-	71,403
Due from other funds	-	-	-	629	6,056	6,685
Advances to other funds	117,596	-	-	-	-	117,596
Restricted assets						
Cash and cash equivalents	-	-	-	11,624	-	11,624
Total assets	<u>\$ 384,278</u>	<u>\$ 408,729</u>	<u>\$ 148,841</u>	<u>\$ 357,899</u>	<u>\$ 326,959</u>	<u>\$ 1,626,706</u>
Liabilities						
Accounts payable	\$ 24,678	\$ 943	\$ 175	\$ 21,655	\$ 1,510	\$ 48,961
Due to other funds	5,953	-	418	-	314	6,685
Advances from other funds	-	117,596	-	-	-	117,596
Deferred revenue	23,405	-	-	-	-	23,405
Total liabilities	<u>54,036</u>	<u>118,539</u>	<u>593</u>	<u>21,655</u>	<u>1,824</u>	<u>196,647</u>
Fund balances						
Reserved for:						
Deposits held by others	-	-	-	11,624	-	11,624
Long term advances	117,596	-	-	-	-	117,596
Unreserved, reported in:						
General fund	212,646	-	-	-	-	212,646
Special revenue funds	-	290,190	148,248	324,620	324,607	1,087,665
Permanent fund	-	-	-	-	528	528
Total fund balances	<u>330,242</u>	<u>290,190</u>	<u>148,248</u>	<u>336,244</u>	<u>325,135</u>	<u>1,430,059</u>
Total liabilities and fund balances	<u>\$ 384,278</u>	<u>\$ 408,729</u>	<u>\$ 148,841</u>	<u>\$ 357,899</u>	<u>\$ 326,959</u>	<u>\$ 1,626,706</u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2008

Total fund balances for governmental funds	\$ 1,430,059
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,735,611
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	23,405
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(12,179)
Compensated absences	(49,643)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(539,046)
Internal service funds are included as part of governmental activities.	<u>106,061</u>
Net assets of governmental activities	<u><u>\$ 2,694,268</u></u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2008

	Special Revenue Funds				Nonmajor	Total
	General	Police	Park	Trash Collection	Governmental Funds	Governmental Funds
Revenues						
Taxes	\$ 115,453	\$ 389,506	\$ 108,254	\$ 156,766	\$ 235,083	\$ 1,005,062
Licenses and permits	8,521	2,213	-	-	31,321	42,055
State revenue sharing	318,732	-	-	-	4,582	323,314
Other state grants	-	-	63,219	-	15,976	79,195
Local contributions	10,243	1,608	-	-	44,900	56,751
Charges for services	25,882	-	21,250	-	-	47,132
Fines and forfeitures	-	-	-	-	27,118	27,118
Interest income	9,330	10,619	4,860	8,779	11,223	44,811
Rental income	3,065	-	-	-	-	3,065
Other revenue	28,717	2,263	4,648	548	8,474	44,650
Total revenues	519,943	406,209	202,231	166,093	378,677	1,673,153
Expenditures						
Current						
General government	312,455	-	-	-	55,326	367,781
Public safety	-	372,038	-	-	137,391	509,429
Public works	93,342	-	-	154,735	-	248,077
Health and welfare	3,600	-	-	-	-	3,600
Community and economic development	6,311	-	-	-	-	6,311
Recreation and culture	-	-	111,636	-	150,546	262,182
Capital outlay	3,865	-	131,428	-	5,276	140,569
Debt service						
Principal retirement	30,000	-	-	-	24,644	54,644
Interest and fiscal charges	15,875	2,421	-	-	9,254	27,550
Total expenditures	465,448	374,459	243,064	154,735	382,437	1,620,143
Excess (deficiency) of revenues over expenditures	54,495	31,750	(40,833)	11,358	(3,760)	53,010
Other financing sources (uses)						
Transfers in	-	-	-	629	6,824	7,453
Transfers out	(7,453)	-	-	-	-	(7,453)
Total other financing sources and uses	(7,453)	-	-	629	6,824	-
Net change in fund balance	47,042	31,750	(40,833)	11,987	3,064	53,010
Fund balance - beginning of year	283,200	258,440	189,081	324,257	322,071	1,377,049
Fund balance - end of year	\$ 330,242	\$ 290,190	\$ 148,248	\$ 336,244	\$ 325,135	\$ 1,430,059

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balances - total governmental funds **\$ 53,010**

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(122,344)
Capital outlay	129,301
Loss on disposal of capital assets	(1,156)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

State shared revenue	(1,050)
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Expenses are recorded when incurred in the statement of activities

Accrued interest	1,058
Compensated absences	(1,411)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	54,644
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Internal service funds are also included as governmental activities	<u>(5,027)</u>
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Change in net assets of governmental activities	<u>\$ 107,025</u>
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See Accompanying Notes to Financial Statements

Richland Township
Proprietary Funds
Statement of Net Assets
March 31, 2008

	Enterprise Funds			Internal
	Sewer	Water	Total	Service Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 238,238	\$ 182,499	\$ 420,737	\$ 30,182
Receivables				
Customers	38,040	44,822	82,862	-
Total current assets	276,278	227,321	503,599	30,182
Noncurrent assets				
Capital assets not being depreciated	67,590	-	67,590	-
Capital assets being depreciated	709,636	812,740	1,522,376	41,991
Total noncurrent assets	777,226	812,740	1,589,966	41,991
Total assets	1,053,504	1,040,061	2,093,565	72,173
Liabilities				
Current liabilities				
Accounts payable	124	124	248	-
Accrued and other liabilities	-	10,516	10,516	-
Current portion of noncurrent liabilities	-	40,000	40,000	-
Total current liabilities	124	50,640	50,764	-
Noncurrent liabilities				
Long-term debt net of current portion	4,739	382,379	387,118	-
Total liabilities	4,863	433,019	437,882	-
Net assets				
Invested in capital assets, net of related debt	777,226	395,101	1,172,327	41,991
Unrestricted	271,415	211,941	483,356	30,182
Total net assets	\$ 1,048,641	\$ 607,042	1,655,683	\$ 72,173
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities			(33,888)	
Net assets of business-type activities			\$ 1,621,795	

Richland Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2008

	Enterprise Funds			Internal
	Sewer	Water	Total	Service Funds
Operating revenue				
Customer fees	\$ 149,107	\$ 205,590	\$ 354,697	\$ -
Billings to other funds	-	-	-	430,593
Other revenue	-	554	554	3,070
Total operating revenue	149,107	206,144	355,251	433,663
Operating expenses				
Personnel services	93,341	92,630	185,971	411,908
Supplies	5,115	13,105	18,220	5,915
Contractual services	6,871	11,002	17,873	825
Utilities	14,961	13,249	28,210	-
Repairs and maintenance	3,691	9,174	12,865	1,850
Other expenses	11,313	8,743	20,056	4,261
Depreciation	54,740	38,705	93,445	12,429
Total operating expenses	190,032	186,608	376,640	437,188
Operating income (loss)	(40,925)	19,536	(21,389)	(3,525)
Nonoperating revenue (expenses)				
Interest income	11,934	9,812	21,746	3,185
Gain (loss) on sale of assets	-	1,490	1,490	(7,663)
Interest expense	-	(26,363)	(26,363)	-
Total nonoperating revenues (expenses)	11,934	(15,061)	(3,127)	(4,478)
Income (loss) before contributions	(28,991)	4,475	(24,516)	(8,003)
Capital contributions	10,038	9,400	19,438	-
Change in net assets	(18,953)	13,875	(5,078)	(8,003)
Net assets - beginning of year	1,067,594	593,167		80,176
Net assets - end of year	\$ 1,048,641	\$ 607,042		\$ 72,173
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			(2,976)	
Change in net assets of business-type activities			\$ (8,054)	

See Accompanying Notes to Financial Statements

Richland Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Service Funds</u>
Cash flows from operating activities				
Receipts from customers	\$ 148,574	\$ 207,000	\$ 355,574	\$ 3,070
Receipts from interfund users	-	-	-	430,593
Payments to suppliers	(41,905)	(64,389)	(106,294)	(13,180)
Payments to employees	(33,049)	(28,766)	(61,815)	(411,908)
Payments for interfund services used	(59,618)	(54,831)	(114,449)	-
Net cash provided by operating activities	<u>14,002</u>	<u>59,014</u>	<u>73,016</u>	<u>8,575</u>
Cash flows from capital and related financing activities				
Capital contributions	10,038	9,400	19,438	-
Purchases of capital assets	(9,487)	(3,328)	(12,815)	(12,000)
Principal and interest paid on long-term debt	-	(59,434)	(59,434)	-
Proceeds from sale of capital assets	-	1,490	1,490	250
Net cash provided (used) by capital and related financing activities	<u>551</u>	<u>(51,872)</u>	<u>(51,321)</u>	<u>(11,750)</u>
Cash flows from investing activities				
Interest received	<u>11,934</u>	<u>9,812</u>	<u>21,746</u>	<u>3,185</u>
Net increase in cash and cash equivalents	26,487	16,954	43,441	10
Cash and cash equivalents - beginning of year	<u>211,751</u>	<u>165,545</u>	<u>377,296</u>	<u>30,172</u>
Cash and cash equivalents - end of year	<u>\$ 238,238</u>	<u>\$ 182,499</u>	<u>\$ 420,737</u>	<u>\$ 30,182</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (40,925)	\$ 19,536	\$ (21,389)	\$ (3,525)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	54,740	38,705	93,445	12,429
Changes in assets and liabilities				
Receivables (net)	(533)	856	323	-
Accounts payable	46	45	91	(329)
Accrued and other liabilities	674	(128)	546	-
Net cash provided by operating activities	<u>\$ 14,002</u>	<u>\$ 59,014</u>	<u>\$ 73,016</u>	<u>\$ 8,575</u>

See Accompanying Notes to Financial Statements

Richland Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Richland Township is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit – The Building Authority is included as a part of the Township's financial statements since the Township appoints the governing authority Board and the Building Authority provides its services solely to the Township. The Building Authority activity is blended into the Township's Water Enterprise Fund for reporting purposes because the services were related to Water Enterprise Fund assets, which is in accordance with generally accepted accounting principles. A complete financial statement can be obtained from Richland Township Offices, 1180 N. Hemlock Road, Hemlock, Michigan 48626.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

Richland Township
Notes to Financial Statements
March 31, 2008

purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the separate voted millage and the related operation of the police department.

The Park Fund accounts for the separate voted millage and the related operation of the park department.

The Trash Collection Fund accounts for the revenue and expenditures with the government's refuse collection operation.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution

system.

Additionally, the government reports the following:

The Permanent Fund accounts for perpetual cemetery resources and expenditures.

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Internal Service Funds account for the fringe benefits and the major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals. At the end of the year the Current Tax Collection Fund had no assets or liabilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function

Richland Township
Notes to Financial Statements
March 31, 2008

and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair

value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$118,814,279, on which ad valorem taxes consisted of 0.9084 mills for operating purposes. This resulted in \$108,076 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Restricted assets – In the Trash Collection Fund, certain resources are set aside to fund capital asset replacements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Richland Township
Notes to Financial Statements
March 31, 2008

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences – Employees earn vacation and sick leave based on years of service. Vacation days are accrued annually on January 1 and the employees must take the time during the year following the accrual, except for the 40 hour carryover or amount allowed per contract that is allowed at the end of each year.

The employees earn 80 hours of vacation annually for the first five years of employment. The vacation hour accrual goes up to 120 hours annually after five years. In addition, supervisory level employees receive 40 more hours of vacation each year. The vacation hours accrued at the March 31 year end are valued using each employees current pay rate.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and

discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Richland Township

Notes to Financial Statements

March 31, 2008

Prior to March 31, the Township Supervisor submits to the Township a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of a resolution prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

The Township incurred expenditures in excess of budget in the General Fund. Excess expenditures in this fund occurred in the following areas.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
General government	\$ 311,461	\$ 312,455	\$ 994

In addition, the Township budgeted for a deficit in the Police and Park Fund in the current year.

Note 3 - Deposits and Investments

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>
Governmental activities	\$ 1,384,096	\$ 11,624
Business-type activities	420,737	-
Total primary government	<u>\$ 1,804,833</u>	<u>\$ 11,624</u>

All cash and cash equivalents at year end are considered deposits and are held in checking and savings accounts and certificate of deposits.

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$1,709,206 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Richland Township

Notes to Financial Statements

March 31, 2008

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 157,833	\$ 3,865	\$ -	\$ 161,698
Capital assets being depreciated				
Land improvements	497,384	123,661	-	621,045
Buildings, additions and improvements	1,477,124	-	-	1,477,124
Machinery and equipment	284,039	13,775	15,016	282,798
Vehicles	490,272	-	6,000	484,272
Total capital assets being depreciated	2,748,819	137,436	21,016	2,865,239
Less accumulated depreciation for				
Land improvements	301,695	17,211	-	318,906
Buildings, additions and improvements	453,728	37,504	-	491,232
Machinery and equipment	196,325	29,915	5,947	220,293
Vehicles	174,761	50,143	6,000	218,904
Total accumulated depreciation	1,126,509	134,773	11,947	1,249,335
Net capital assets being depreciated	1,622,310	2,663	9,069	1,615,904
Governmental activities capital assets, net	\$ 1,780,143	\$ 6,528	\$ 9,069	\$ 1,777,602
Business-type activities				
Capital assets not being depreciated				
Land	\$ 67,590	\$ -	\$ -	\$ 67,590
Capital assets being depreciated				
Land improvements	6,514	-	-	6,514
Buildings, additions and improvements	21,722	-	-	21,722
Machinery and equipment	42,225	9,487	-	51,712
Water system	1,556,134	3,328	-	1,559,462
Sewer system	2,114,813	-	-	2,114,813
Total capital assets being depreciated	3,741,408	12,815	-	3,754,223
Less accumulated depreciation for				
Land improvements	6,514	-	-	6,514
Buildings, additions and improvements	9,413	724	-	10,137
Machinery and equipment	34,825	1,550	-	36,375
Water system	714,086	38,348	-	752,434
Sewer system	1,373,564	52,823	-	1,426,387
Total accumulated depreciation	2,138,402	93,445	-	2,231,847
Net capital assets being depreciated	1,603,006	(80,630)	-	1,522,376
Business-type capital assets, net	\$ 1,670,596	\$ (80,630)	\$ -	\$ 1,589,966

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 20,803
Public safety	74,118
Public works	912
Recreation and culture	26,511

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

12,429

134,773

Business-type activities

Sewer	54,740
Water	38,705

93,445

\$ 228,218

Note 5 - Construction Commitments

The Township has construction commitments in the amount of \$15,300 outstanding in the Park Fund at March 31, 2008.

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Trash Collection	General	\$ 629
Property Tax Administration	General	5,324
Property Tax Administration	Park	418
Property Tax Administration	Library	314
		<u>\$ 6,685</u>

Richland Township
Notes to Financial Statements
March 31, 2008

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Advances at year end are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Police	<u>\$ 117,596</u>

During fiscal year 2003-2004, the Township made improvements and an expansion to the public safety building, which now houses both the police and fire departments. The General Fund provided a long term loan to the Police Fund to pay for these improvements. The Police Fund will be required to make annual payments to the General Fund in the amount of \$5,861, including 2% interest, over the next 30 years.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Property Tax Administration	\$ 6,824
General	Trash Collection	<u>629</u>
		<u>\$ 7,453</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 7 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
State shared revenue	<u>\$ 23,405</u>

Richland Township
Notes to Financial Statements
March 31, 2008

Note 8 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
Fire Truck Revenue Bonds	\$ 205,000	11/1/09	4.450%-4.550%	\$20,000- \$25,000	\$ 65,000	\$ -	\$ 20,000	\$ 45,000	\$ 20,000
Township Complex Revenue Bonds	500,000	11/1/17	3.375%-4.625%	30,000- 45,000	390,000	-	30,000	360,000	30,000
Installment purchase agreements									
Fire truck installment agreement	145,000	5/20/15	4.700%	4,868- 23,178	138,690	-	4,644	134,046	4,868
Total bonds and notes payable					593,690	-	54,644	539,046	54,868
Compensated absences					48,232	1,411	-	49,643	-
Total governmental activities					<u>\$ 641,922</u>	<u>\$ 1,411</u>	<u>\$ 54,644</u>	<u>\$ 588,689</u>	<u>\$ 54,868</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
Building Authority's Water Tower Bond	\$ 725,000	11/1/16	5.550%-5.875%	\$40,000- \$60,000	\$ 470,000	\$ -	\$ 35,000	\$ 435,000	\$ 40,000
Less deferred amounts					(19,290)	-	(1,929)	(17,361)	-
Total bonds payable					450,710	-	33,071	417,639	40,000
Compensated absences					8,130	1,349	-	9,479	-
Total business-type activities					<u>\$ 458,840</u>	<u>\$ 1,349</u>	<u>\$ 33,071</u>	<u>\$ 427,118</u>	<u>\$ 40,000</u>

Richland Township
Notes to Financial Statements
March 31, 2008

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 54,868	\$ 23,097	\$ 40,000	\$ 25,240
2010	60,101	20,962	40,000	23,020
2011	48,332	18,148	40,000	20,760
2012	54,213	16,068	45,000	18,460
2013	55,135	13,745	50,000	15,850
2014-2018	266,397	32,399	220,000	33,194
	<u>\$ 539,046</u>	<u>\$ 124,419</u>	<u>\$ 435,000</u>	<u>\$ 136,524</u>

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing,

Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees and board of trustees was established by the government and requires a contribution equal to 5% of compensation for board of trustee members. No contribution from township employees is required.

Annual pension costs – For fiscal year ended 2008, the government's annual pension cost of \$83,408 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include: 1) a 8% investment rate of return; 2) projected salary increases of 4.5% percent per year; and 3) 3% percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2006 follows:

	2006	2005	2004
Annual pension cost	\$ 81,263	\$ 73,532	\$ 72,997
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	1,552,746	1,408,483	1,281,738
Actuarial accrued liabilities	2,632,237	2,378,518	2,026,138
Unfunded AAL	1,079,491	970,035	744,400
Funded ratio	59.0%	59.0%	63.0%
Covered payroll	416,198	343,564	387,957
UAAL as a percentage of covered payroll	259%	282%	192%

Richland Township
Notes to Financial Statements
March 31, 2008

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 12 - Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has recently released statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 103,481	\$ 108,254	\$ 108,254	\$ -
Other taxes	12,900	7,199	7,199	-
Licenses and permits	8,200	8,521	8,521	-
State revenue sharing	320,493	270,734	318,732	47,998
Local contributions	8,010	10,243	10,243	-
Charges for services	30,400	25,882	25,882	-
Interest income	3,400	6,909	9,330	2,421
Rental income	2,700	3,065	3,065	-
Other revenue	19,600	52,334	28,717	(23,617)
Transfer in	5,861	5,861	-	(5,861)
	<u>515,045</u>	<u>499,002</u>	<u>519,943</u>	<u>20,941</u>
Total revenues				
Expenditures				
General government				
Township board	10,250	9,213	9,213	-
Supervisor	10,200	9,705	9,705	-
Manager	52,345	54,681	54,681	-
Accounting	179,758	178,096	178,181	85
Clerk	13,100	11,542	11,542	-
Audit	5,250	4,665	4,665	-
Board of review	450	-	-	-
Elections	3,600	3,413	3,413	-
Buildings and grounds	31,000	26,996	27,080	84
Attorney	11,500	2,423	3,209	786
Cemetery	12,000	10,727	10,766	39
	<u>329,453</u>	<u>311,461</u>	<u>312,455</u>	<u>994</u>
Total general government				

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ -	\$ 216	\$ 216	\$ -
Sidewalks	20,500	19,686	19,686	-
Drains	500	2,315	2,315	-
Highways, streets and bridges	54,500	46,904	46,903	(1)
Street lighting	23,500	24,222	24,222	-
Total public works	99,000	93,343	93,342	(1)
Health and welfare				
Ambulance	4,000	3,600	3,600	-
Community and economic development				
Planning	7,800	6,311	6,311	-
Other functions				
Contingency	106,759	195,279	-	(195,279)
Capital outlay	8,000	3,865	3,865	-
Debt service				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	15,875	15,875	15,875	-
Total debt service	45,875	45,875	45,875	-
Transfers out	10,335	7,453	7,453	-
Total expenditures	611,222	667,187	472,901	(194,286)
Excess (deficiency) of revenues over expenditures	(96,177)	(168,185)	47,042	215,227
Fund balance - beginning of year	283,200	283,200	283,200	-
Fund balance - end of year	\$ 187,023	\$ 115,015	\$ 330,242	\$ 215,227

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 370,726	\$ 389,506	\$ 389,506	\$ -
Licenses and permits	2,780	2,213	2,213	-
Local contributions	1,500	1,608	1,608	-
Interest income	8,000	10,619	10,619	-
Other revenue	600	2,263	2,263	-
Sale of fixed assets	600	-	-	-
	<u>384,206</u>	<u>406,209</u>	<u>406,209</u>	<u>-</u>
Total revenues				
Expenditures				
Current				
Public safety	378,390	780,767	372,038	(408,729)
Capital outlay	9,000	-	-	-
Debt service				
Interest and fiscal charges	5,861	5,861	2,421	(3,440)
	<u>393,251</u>	<u>786,628</u>	<u>374,459</u>	<u>(412,169)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(9,045)	(380,419)	31,750	412,169
Fund balance - beginning of year	<u>258,440</u>	<u>258,440</u>	<u>258,440</u>	<u>-</u>
Fund balance - end of year	<u>\$ 249,395</u>	<u>\$ (121,979)</u>	<u>\$ 290,190</u>	<u>\$ 412,169</u>

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
Park Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 103,481	\$ 108,254	\$ 108,254	\$ -
Other state grants	75,000	63,219	63,219	-
Charges for services	17,900	21,250	21,250	-
Interest income	4,500	4,861	4,860	(1)
Other revenue	<u>1,050</u>	<u>4,648</u>	<u>4,648</u>	<u>-</u>
Total revenues	<u>201,931</u>	<u>202,232</u>	<u>202,231</u>	<u>(1)</u>
Expenditures				
Current				
Recreation and culture	132,329	259,977	111,636	(148,341)
Capital outlay	<u>142,400</u>	<u>131,428</u>	<u>131,428</u>	<u>-</u>
Total expenditures	<u>274,729</u>	<u>391,405</u>	<u>243,064</u>	<u>(148,341)</u>
Excess (deficiency) of revenues over expenditures	(72,798)	(189,173)	(40,833)	148,340
Fund balance - beginning of year	<u>189,081</u>	<u>189,081</u>	<u>189,081</u>	<u>-</u>
Fund balance - end of year	<u>\$ 116,283</u>	<u>\$ (92)</u>	<u>\$ 148,248</u>	<u>\$ 148,340</u>

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
Trash Collection Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 156,457	\$ 132,135	\$ 156,766	\$ 24,631
Interest income	8,300	8,809	8,779	(30)
Other revenue	100	517	548	31
Transfers in	-	629	629	-
	<u>164,857</u>	<u>142,090</u>	<u>166,722</u>	<u>24,632</u>
Expenditures				
Current				
Public works	<u>319,659</u>	<u>413,241</u>	<u>154,735</u>	<u>(258,506)</u>
Excess (deficiency) of revenues over expenditures	(154,802)	(271,151)	11,987	283,138
Fund balance - beginning of year	<u>324,257</u>	<u>324,257</u>	<u>324,257</u>	<u>-</u>
Fund balance - end of year	<u>\$ 169,455</u>	<u>\$ 53,106</u>	<u>\$ 336,244</u>	<u>\$ 283,138</u>

Richland Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2008

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Fire	Building Department	Library	Property Tax Administration	Cemetery Trust	
Assets						
Cash and cash equivalents	\$ 146,013	\$ 32,058	\$ 106,024	\$ 36,280	\$ 528	\$ 320,903
Due from other funds	-	-	-	6,056	-	6,056
Total assets	<u>\$ 146,013</u>	<u>\$ 32,058</u>	<u>\$ 106,024</u>	<u>\$ 42,336</u>	<u>\$ 528</u>	<u>\$ 326,959</u>
Liabilities						
Accounts payable	\$ 1,427	\$ -	\$ 83	\$ -	\$ -	\$ 1,510
Due to other funds	-	-	314	-	-	314
Total liabilities	<u>1,427</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>1,824</u>
Fund balances						
Unreserved						
Undesignated	<u>144,586</u>	<u>32,058</u>	<u>105,627</u>	<u>42,336</u>	<u>528</u>	<u>325,135</u>
Total fund balances	<u>144,586</u>	<u>32,058</u>	<u>105,627</u>	<u>42,336</u>	<u>528</u>	<u>325,135</u>
Total liabilities and fund balances	<u>\$ 146,013</u>	<u>\$ 32,058</u>	<u>\$ 106,024</u>	<u>\$ 42,336</u>	<u>\$ 528</u>	<u>\$ 326,959</u>

Richland Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2008

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Fire	Building Department	Library	Property Tax Administration	Cemetery Trust	
Revenues						
Taxes	\$ 114,555	\$ -	\$ 81,176	\$ 39,352	\$ -	\$ 235,083
Licenses and permits	-	31,321	-	-	-	31,321
State revenue sharing	-	-	4,582	-	-	4,582
Other state grants	-	-	10,123	5,853	-	15,976
Local contributions	41,400	-	3,500	-	-	44,900
Fines and forfeitures	-	-	27,118	-	-	27,118
Interest income	3,841	2,127	4,362	891	2	11,223
Other revenue	-	-	7,767	707	-	8,474
Total revenues	<u>159,796</u>	<u>33,448</u>	<u>138,628</u>	<u>46,803</u>	<u>2</u>	<u>378,677</u>
Expenditures						
Current						
General government	-	-	-	55,326	-	55,326
Public safety	106,611	30,780	-	-	-	137,391
Recreation and culture	-	-	150,546	-	-	150,546
Capital outlay	-	-	5,276	-	-	5,276
Debt service						
Principal retirement	24,644	-	-	-	-	24,644
Interest and fiscal charges	9,254	-	-	-	-	9,254
Total expenditures	<u>140,509</u>	<u>30,780</u>	<u>155,822</u>	<u>55,326</u>	<u>-</u>	<u>382,437</u>
Excess (deficiency) of revenues over expenditures	<u>19,287</u>	<u>2,668</u>	<u>(17,194)</u>	<u>(8,523)</u>	<u>2</u>	<u>(3,760)</u>
Other financing sources (uses)						
Transfers in	-	-	-	6,824	-	6,824
Net change in fund balance	19,287	2,668	(17,194)	(1,699)	2	3,064
Fund balance - beginning of year	125,299	29,390	122,821	44,035	526	322,071
Fund balance - end of year	<u>\$ 144,586</u>	<u>\$ 32,058</u>	<u>\$ 105,627</u>	<u>\$ 42,336</u>	<u>\$ 528</u>	<u>\$ 325,135</u>

Richland Township
Other Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
March 31, 2008

	<u>Motor Pool</u>	<u>Fringe Benefit</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 30,065	\$ 117	\$ 30,182
Noncurrent assets			
Capital assets being depreciated	41,991	-	41,991
Total assets	<u>72,056</u>	<u>117</u>	<u>72,173</u>
Net assets			
Invested in capital assets, net of related debt	41,991	-	41,991
Unrestricted	<u>30,065</u>	<u>117</u>	<u>30,182</u>
Total net assets	<u>\$ 72,056</u>	<u>\$ 117</u>	<u>\$ 72,173</u>

Richland Township
Other Supplemental Information
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended March 31, 2008

	Motor Pool	Fringe Benefit	Total
Operating revenue			
Billings to other funds	\$ 23,274	\$ 407,319	\$ 430,593
Other revenue	<u>87</u>	<u>2,983</u>	<u>3,070</u>
Total operating revenue	<u>23,361</u>	<u>410,302</u>	<u>433,663</u>
Operating expenses			
Personnel services	-	411,908	411,908
Supplies	5,915	-	5,915
Contractual services	825	-	825
Repairs and maintenance	1,850	-	1,850
Other expenses	4,261	-	4,261
Depreciation	<u>12,429</u>	<u>-</u>	<u>12,429</u>
Total operating expenses	<u>25,280</u>	<u>411,908</u>	<u>437,188</u>
Operating loss	<u>(1,919)</u>	<u>(1,606)</u>	<u>(3,525)</u>
Nonoperating revenues (expenses)			
Interest income	1,462	1,723	3,185
Loss on disposal of assets	<u>(7,663)</u>	<u>-</u>	<u>(7,663)</u>
Total nonoperating revenues (expenses)	<u>(6,201)</u>	<u>1,723</u>	<u>(4,478)</u>
Change in net assets	(8,120)	117	(8,003)
Net assets - beginning of year	<u>80,176</u>	<u>-</u>	<u>80,176</u>
Net assets - end of year	<u>\$ 72,056</u>	<u>\$ 117</u>	<u>\$ 72,173</u>

Richland Township
Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended March 31, 2008

	Motor Pool	Fringe Benefit	Total
Cash flows from operating activities			
Receipts from customers	\$ 87	\$ 2,983	\$ 3,070
Receipts from interfund users	23,274	407,319	430,593
Payments to suppliers	(13,180)	-	(13,180)
Payments to employees	<u>-</u>	<u>(411,908)</u>	<u>(411,908)</u>
Net cash provided (used) by operating activities	<u>10,181</u>	<u>(1,606)</u>	<u>8,575</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(12,000)	-	(12,000)
Proceeds from sale of capital assets	<u>250</u>	<u>-</u>	<u>250</u>
Net cash used by capital and related financing activities	<u>(11,750)</u>	<u>-</u>	<u>(11,750)</u>
Cash flows from investing activities			
Interest received	<u>1,462</u>	<u>1,723</u>	<u>3,185</u>
Net increase (decrease) in cash and cash equivalents	(107)	117	10
Cash and cash equivalents - beginning of year	<u>30,172</u>	<u>-</u>	<u>30,172</u>
Cash and cash equivalents - end of year	<u>\$ 30,065</u>	<u>\$ 117</u>	<u>\$ 30,182</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating loss	\$ (1,919)	\$ (1,606)	\$ (3,525)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	12,429	-	12,429
Changes in assets and liabilities			
Accounts payable	<u>(329)</u>	<u>-</u>	<u>(329)</u>
Net cash provided (used) by operating activities	<u>\$ 10,181</u>	<u>\$ (1,606)</u>	<u>\$ 8,575</u>

Richland Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	May Interest Payment	November Interest Payment	Total
Governmental Activities						
Fire Truck Revenue Bonds	4.450%	11/1/08	\$ 20,000	\$ 1,014	\$ 1,014	\$ 22,028
Amount of issue - \$205,000	4.550%	11/1/09	25,000	569	569	26,138
			<u>\$ 45,000</u>	<u>\$ 1,583</u>	<u>\$ 1,583</u>	<u>\$ 48,166</u>
Township Complex Revenue Bonds	3.375%	11/1/08	\$ 30,000	\$ 7,469	\$ 7,468	\$ 44,937
Amount of issue - \$500,000	3.600%	11/1/09	30,000	6,963	6,962	43,925
	4.000%	11/1/10	30,000	6,423	6,422	42,845
	4.000%	11/1/11	35,000	5,823	5,822	46,645
	4.000%	11/1/12	35,000	5,123	5,122	45,245
	4.125%	11/1/13	35,000	4,423	4,422	43,845
	4.300%	11/1/14	40,000	3,701	3,700	47,401
	4.500%	11/1/15	40,000	2,841	2,840	45,681
	4.500%	11/1/16	40,000	1,941	1,940	43,881
	4.625%	11/1/17	45,000	1,041	1,040	47,081
			<u>\$ 360,000</u>	<u>\$ 45,748</u>	<u>\$ 45,738</u>	<u>\$ 451,486</u>

Richland Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	May Interest Payment	November Interest Payment	Total
Fire truck installment agreement	4.700%	5/20/08	\$ 4,868	\$ 6,132	\$ -	\$ 11,000
Amount of issue - \$145,000	4.700%	5/20/09	5,101	5,899	-	11,000
	4.700%	5/20/10	18,332	5,303	-	23,635
	4.700%	5/20/11	19,213	4,423	-	23,636
	4.700%	5/20/12	20,135	3,500	-	23,635
	4.700%	5/20/13	21,103	2,533	-	23,636
	4.700%	5/20/14	22,116	1,520	-	23,636
	4.700%	5/20/15	23,178	457	-	23,635
			<u>\$ 134,046</u>	<u>\$ 29,767</u>	<u>\$ -</u>	<u>\$ 163,813</u>
Business-type Activities						
Building Authority's Water Tower Bond	5.550%	11/1/08	\$ 40,000	\$ 12,620	\$ 12,620	\$ 65,240
Amount of issue - \$725,000	5.650%	11/1/09	40,000	11,510	11,510	63,020
	5.750%	11/1/10	40,000	10,380	10,380	60,760
	5.800%	11/1/11	45,000	9,230	9,230	63,460
	5.850%	11/1/12	50,000	7,925	7,925	65,850
	5.875%	11/1/13	50,000	6,463	6,463	62,926
	5.875%	11/1/14	55,000	4,994	4,994	64,988
	5.875%	11/1/15	55,000	3,378	3,377	61,755
	5.875%	11/1/16	60,000	1,763	1,762	63,525
			<u>\$ 435,000</u>	<u>\$ 68,263</u>	<u>\$ 68,261</u>	<u>\$ 571,524</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

Members of the Township Board
Richland Township
Saginaw, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richland Township as of and for the year ended March 31, 2008, which collectively comprise Richland Township's basic financial statements and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Richland Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Richland Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency below to be a significant deficiency in internal control over financial reporting.

Segregation of Duties

Our review of the Township's procedures indicated that there is a lack segregation of duties in the receiving, depositing and recording of cash receipts. To provide effective control it would be necessary to separate each of these duties, as well as the reconciling of the bank accounts, whereas at the present time the deputy treasurer's duties include all of these functions to some degree. Since it's not practicable to separate each of these duties, we do recommend the Township Manager receive unopened bank statements to review for unusual items, continue to review bank reconciliations, and to watch for trends or large fluctuations from what is expected. This will reduce the risk of errors or fraud in the Township.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richland Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the Township's management in a separate letter dated June 4, 2008.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
June 4, 2008



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

July 7, 2008

Management and the Township Board
Richland Township
1180 N Hemlock
Hemlock, MI 48626

We have completed our audit of the financial statements of Richland Township as of and for the year ended March 31, 2008 and have issued our report dated June 4, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated March 13, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on March 13, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. The most sensitive accounting estimates and how they were derived by management are:

Management's estimate of the unbilled water and sewer usage receivable and compensated absences are the key estimates. We evaluated the key factors and assumptions used to develop both estimates in determining whether they were reasonable in relation to the financial statements taken as a whole.
- Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered During the Audit - *None*

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Management has determined that the effects of the uncorrected misstatements below are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Schedule of Unadjusted Financial Statement Misstatements
For the year ended March 31, 2008

Description	Amount over(under)stated				
	Assets	Liabilities	Net Assets	Revenues	Expenses
Accrued payroll not booked	\$ -	\$ (16,560)	\$ 16,560	\$ -	\$ (16,560)
Unreconciled taxes receivable	970	-	970	970	-
Prior year audit differences	-	-	(9,140)	-	-
Net audit differences	<u>\$ 970</u>	<u>\$ (16,560)</u>	<u>\$ 8,390</u>	<u>\$ 970</u>	<u>\$ (16,560)</u>

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Please read all information included in that report to ensure you are aware of relevant information.

Appendix II Management Comments

In planning and performing our audit of the financial statements of Richland Township as of and for the year ended March 31, 2008, we considered Richland Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date June 4, 2008, on the financial statements of Richland Township. Our comments and recommendations regarding those matters are:

Budgeting

In the current year the Township budgeted for a deficit in the Police and Park fund. This is a violation of the Uniform Budgeting Act. Each year the Township budgets for a contingency amount that agrees to the amount of fund balance you have left in that fund. The amount used in the Police and Park fund this year did not agree to the fund balance in the prior year audit report, therefore, causing the deficit in the final budget. It's fine to budget this way, but use the prior year audit report as your guide in creating this contingency amount. This will prevent budgeting for a deficit in future years.

Water and Sewer Billing Adjustments

In reviewing internal controls over water and sewer billings we found that the approval process of water/sewer adjustments can be improved. Currently, no adjustments are made without written permission from the Township Manager. Although all adjustments should be approved, the Township Manager should be reviewing a computer generated list of adjustments to customer accounts. This will prevent any unapproved adjustments and provide the necessary controls over the billing system.

New Accounting and Auditing Standards

There are several new accounting and auditing standards issued that will affect the Township. Most notably Government Accounting Standard Board #45 – Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions. The Township currently pays for retiree post retirement benefits on a pay as you go basis. Under this new standard the Township would have to begin recognizing this obligation in the 2009 calendar year.